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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/23/09

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Articles:

1) Sankei-FNN poll: DPJ 20 points ahead of LDP in proportional representation format; Cabinet's support rate plunges to 17.5 PERCENT

SANKEI (Page 1) (Excerpts)  
June 23, 2009

The Sankei Shimbun and Fuji News Network (FNN) conducted a joint opinion poll on June 20-21 asking people which party they will vote for in the proportional representation segment in the next House of Representative election. The results showed that the major opposition Democratic Party of Japan (DPJ) marked 45.9 PERCENT , which was 20.7 points over the Liberal Democratic Party's (LDP) 25.2 PERCENT . The difference increased beyond the 13.9-point difference marked in the previous survey, conducted on May 17 immediately after Yukio Hatoyama became DPJ president. The DPJ is clearly ahead of the LDP with the next Lower House election approaching.

The rate of support for the cabinet of Prime Minister Taro Aso was 17.5 PERCENT , down 9.9 points from the previous survey. Meanwhile, the disapproval rate for the cabinet increased 11.8 points to 72.9 PERCENT . The support rating had temporarily surged after it fell below 20 PERCENT in the January-March period this year. But it has

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now again reentered the danger zone of the 10 percent level.

Asked about the Prime Minister's decision to dismiss Kunio Hatoyama as internal affairs and communications minister over the reappointment of Yoshifumi Nishikawa as Japan Postal Holdings Co. president, a mere 20.2 PERCENT of respondents said it was appropriate, and 62.2 PERCENT said Hatoyama's assertion was convincing. Some 75.0 PERCENT said Nishikawa should not remain in his post.

Positive evaluations of Hatoyama rose sharply in comparison to Prime Minister Aso, as seen by the fact that 57.3 PERCENT described him as trustworthy in contrast to Aso's 22.7 PERCENT . In the previous survey, the two were neck-and-neck with both of them marking the 30 PERCENT level. Asked who is appropriate to become the prime minister, 19.8 PERCENT pointed to Aso, far lower than Hatoyama's 51.6 PERCENT . About 62.1 PERCENT said Hatoyama is good at debates in comparison to Aso's 21.9 PERCENT .

Asked if the outcome of the July 12 Tokyo assembly election will result in the resignation of Aso to take responsibility, 54.6 PERCENT said "yes" and 37.2 PERCENT said "no."

2) Prime Minister Aso authorizes reappointment of Japan Post President Nishikawa

YOMIURI (Top play) (Excerpts)  
June 23, 2009

Prime Minister Taro Aso yesterday basically authorized Internal Affairs and Communications Minister Tsutomu Sato's decision to have Japan Post Holdings Co. President Yoshifumi Nishikawa continue serving in his post. Aso was informed by Sato that Japan Post had admitted the responsibility of its executives for an abortive plan to sell the Kampo no Yado resort inn network (to the Orix Corp group) and that Nishikawa offered to give up 30 percent of his pay over the next three months as a disciplinary measure. Aso approved of Japan Post's disciplinary measures. It is now expected that the reappointment of the Japan Post president will be resolved by the replacement of Internal Affairs and Communications Minister Kunio Hatoyama and the reappointment of Nishikawa as president of Japan Post.

After meeting yesterday with Aso at the Prime Minister's Official

Residence (Kantei), Sato met with Nishikawa at his ministry and received explanations about the disciplinary measures against Japan Post executives. He again reported them to Aso. After that, he told reporters: "As I obtained approval from the finance minister and chief cabinet secretary, I have made the decision based on that approval." Asked by whether Aso gave approval of the decision to let Nishikawa continue to serve in his post, Sato said: "Eventually, he did so."

Following this, Japan Post will submit on June 24 to the Internal Affairs and Communications Ministry a final report to its order to business improvement and propose the reappointment of nine executives to a shareholders meeting on June 29. After a representative of the government, which holds Japan Post's all shares, gives approval, the company will apply for authorization from the minister and receive authorization.

3) Aso's hold over party seriously damaged by his decision to

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approve reappointment of Nishikawa as Japan Post president

ASAHI (Page 4) (Abridged slightly)  
June 23, 2009

Hisanori Imamura, Masaki Hashida

The issue of whether Japan Post Holdings Co. President Yoshifumi Nishikawa should be reappointed, which had created a serious confrontation between Prime Minister Taro Aso and former Internal Affairs and Communications Minister Kunio Hatoyama, was finally resolved yesterday, a week before a Japan Post shareholders meeting. In an attempt to avoid discord in his Liberal Democratic Party (LDP) and a possibility that business leaders will distance themselves from the LDP, Aso decided to authorize the proposed reappointment of Nishikawa. But in so doing, he may have lost his grip on the party.

"What about disciplinary measures?" Internal Affairs and Communications Minister Tsutomu Sato asked Nishikawa yesterday evening, learning that a business improvement report Nishikawa presented to him did not include disciplinary measures. Nishikawa then explained the disciplinary measures, including one against himself.

Although Sato had reported the outline of the report to Aso and obtained his approval, he conveyed anew the contents of the punishments to Aso after his meeting with Nishikawa. Aso reportedly said: "Well, (the punishments) were presented."

Although Sato, during the week since he took office, investigated as to whether Nishikawa had violated any law, he could not find anything. Therefore, there was no reason for him to reject Nishikawa's reappointment.

Aso has been determined to reappoint Nishikawa after he sacked Hatoyama. In the party-heads debate on June 17, Democratic Party of Japan (DPJ) President Yukio Hatoyama said that he would dismiss Nishikawa if his party took the reins of government, but Aso said: "The government should be very careful about whether it should interfere in (personnel changes) backed by the public opinion." A cabinet minister close to Aso said; "If he dismissed Nishikawa, there would be no meaning for him to have removed Hatoyama from his cabinet." As Aso's aide said, if he had Nishikawa resign, he would have come under criticism for the inconsistency with the replacement of Hatoyama.

In the LDP, Machimura faction senior members, including former Prime Minister Yoshiro Mori, called for Nishikawa's resignation. However, Yoshihide Suga, former internal affairs and communication minister, supported the reappointment of Nishikawa. It was expected that internal discord would deepen because the LDP group promoting postal privatization, including former Prime Minister Junichiro Koizumi and former Secretary General Hidenao Nakagawa, would strengthen power if Aso sacked Nishikawa.

Although Aso was able to resolve the issue at the 11th hour, he

failed to fulfill his leadership responsibility, accelerating the move of party members distancing themselves from him.

4) Prime Minister Aso denies possibility of holding LDP presidential election early

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YOMIURI (Page 4) (Excerpts)  
June 23, 2009

Although there is a move to carry out the presidential election of the Liberal Democratic Party (LDP) earlier than when it is scheduled in September, Prime Minister Taro Aso clarified that he had no intention of moving up the LDP presidential race. For the reason that it is believed that implementing the presidential race earlier than the planned is an effort to "oust Aso," Aso appears to have sought to contain such a move.

Aso told the press corps at the Prime Minister's Official Residence (Kantei): "I have heard that there are various views, such as that the presidential election should be moved up. I, however, have no such intention." Chief Cabinet Secretary Takeo Kawamura also stated in a press conference yesterday: "The LDP should not lose confidence and pride in the fact that we have done things under the party president, who was elected by an overwhelming majority."

Meanwhile, House of Representatives member Taku Yamamoto, who has been collecting signatures of LDP lawmakers in order to bring forward the election, revealed a interim counting that 108 members favored the move - 82 LDP members having signed and 26 having conveyed their approval by phone.

Koichi Kato, former LDP secretary general, told reporters yesterday in the Diet building: "LDP Lawmakers are like magma ready to erupt. Frustrations are spreading among LDP members as the public support rates for the LDP have dropped."

Article 6 of the LDP regulation stipulates that moving up the presidential election is possible if a majority (216) of Diet members (384, excluding the Lower House speaker and Upper House vice president) and representatives of the LDP prefectoral chapters (47) request such an action before the term of the presidency expires.

5) North Korea informs JCG of its plan to conduct live-fire drills from June 25 through July 10

MAINICHI (Page 2) (Full)  
June 23, 2009

Kiyoshi Ishihara

The Japan Coast Guard (JCG) received yesterday afternoon an email from North Korea informing that the country will conduct live-fire drills on the east coast of the Korean Peninsula. Receiving the notice, the JCG issued at 5:48 p.m. navigation warnings setting an off-limits area. The North issued navigation warnings about the eastern coast on June 7 and 17 as well. But this is the first time that the country has clarified its purpose.

According to North Korea's notice, the country will conduct live-fire drills between 8 a.m. and 8 p.m. every day from June 25 through July 10, Japan time, in an oceanic area 450 km long and up to 110 km wide, including international waters, northeast of Wonsan on the eastern coast.

6) Government, ruling parties studying use of MSDF to be ready for unexpected events during cargo inspections

YOMIURI (Page 4) (Abridged slightly)

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June 23, 2009

The government and the ruling parties are working on drafting a ship inspections special measures bill as a response to the UN Security Council's adoption of Resolution 1874 on North Korea. Although they are planning to submit a bill to the Diet shortly, there are many points at issue, such as which organization will conduct cargo inspections.

The government intends to have the Japan Coast Guard (JCG) carry out the inspections. The reason is because the JCG is easy to obtain the opposition bloc's approval with the close of the Diet session approaching. But the Liberal Democratic Party (LDP) is calling for the use of the Maritime Self-Defense Force (MSDF). A former cabinet minister pointed out the need to be prepared for unexpected events, such as an exchange of gunfire. The LDP apparently also wants to draw a distinction with the opposition parties for the sake of the next Lower House election.

An idea is also afloat between the government and the ruling parties to use the MSDF only in situations that are beyond the JCG's control.

Under the UN Security Council resolution, obtaining the consent of the flag state is a prerequisite for conducting ship inspections. The government plans to add the consent of a ship's captain to this requirement to reduce the ship's resistance. This point has not been settled, as there is an opinion in the LDP that inspections need to have binding power.

What to do with embargoed items that are found in inspections is also a challenge. Under the UNSC resolution, such items must be confiscated and disposed of. But doing so might be an infringement of property rights. The government is studying a step to keep such items rather than disposing of them immediately.

The government pressed the UNSC hard for a strong resolution in reaction to North Korea's nuclear test. As such, the government is determined to enact the cargo inspection legislation to keep Japan's face in the international community.

7) Basic policy guidelines for fiscal 2009 budget to mention need to deal with North Korea, leaving room for budget increase

SANKEI (Top Play) (Excerpts)  
June 23, 2009

The government on June 22 decided to mention measures to deal with missile launches and nuclear tests by North Korea in the defense budget in the basic policy guidelines on economic and fiscal management and structural reforms for the fiscal 2009 national budget. This marks the first time for the government to mention North Korea by name as a country which Japan needs to deal with. The basic policy guidelines also refer to the importance of the personnel side of the Self-Defense Forces (SDF), which continue to fall below the quota. Wording stating that efforts will be made to establish a truly necessary defense production and technology base has been incorporated, leaving room for a switch from the trend of cutting the defense budget, which has been in place from the fiscal 2003 budget.

The final draft of the basic policy guidelines for the fiscal 2009

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national budget for the first time included a section dedicated to defense matters. Last year's guidelines carried words "ballistic missile." However, specific wording, "the nation will properly deal with the security environment, which is becoming increasingly severe due to missile launches and nuclear tests by North Korea," has been incorporated this year. The government has thus clarified a stance of pressing ahead with the building of a missile defense (MD) system with North Korea in mind.

The revised basic policy guidelines also include measures for the diversification and globalization of SDF duties. To achieve this end, the guidelines note that the government will move ahead with efforts to revise the National Defense Program Guidelines, while giving consideration to the importance of the personnel side and

intelligence functions of the SDF, and steadily promote the consolidation of efficient defense capability in harmony with various government measures.

The steady implementation of measures related to the realignment of U.S. Forces in Japan has also been incorporated. For the reform of defense-related procurement, wording stating that efforts should be made to establish a truly necessary defense production and technology base, under selection and concentration approaches, has been added. Consideration has thus been given to the defense industry, which is being affected by cuts in the defense budget.

The past basic policy guidelines did not give priority to the defense budget, as is evidenced by it being mentioned in the same section as public security and measures to deal with natural disasters.

Since changes in the international situation had not been reflected, the defense budget had suffered cuts for seven consecutive years since the fiscal 2003 budget. The defense budget for fiscal 2009 stood at 4.774 trillion yen.

8) 30 years of "sympathy" budget: Over 2 trillion yen spent on U.S. military base improvement

AKAHATA (Top play) (Full)  
June 23, 2009

It has been found that of the "sympathy" budget (host nation support) for U.S. Forces Japan (USFJ) - which Japan is not even obliged to pay for under the Japan-U.S. Status of Forces Agreement -- some 2.1283 trillion yen have been spent for the construction of bases (under the Facilities Improvement Program, FIP) in the 30 years from FY1979 up to FY2008. This is based on documents provided by the Ministry of Defense to the Japanese Communist Party, budget request documents, and other data. A total of 12,872 construction and renovation projects took place at 66 U.S. military bases in Japan.

The Japanese government will continue construction work on the bases. In addition to the "sympathy" budget, it will shoulder the cost for building the marine base in Guam, extending its construction work for U.S. military bases overseas.

A breakdown of the figures shows that 11,363 housing units for military families and 230 barracks were built. Housing-related projects made up around 90 percent of the total. The construction cost alone for one housing unit was approximately 48 million yen,

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which is much higher than an average Japanese house. In addition, there were 68 construction projects relating to schools, recreational facilities, hospitals, sports fields, repair shops for ships and aircraft, hangars, blastproof shelters, runways, berths for nuclear-powered aircraft carriers, and so forth.

By military base, the U.S. Air Force's Misawa Base (Aomori Prefecture) tops the list with 2,214 projects. In terms of funding, the U.S. Marine base in Iwakuni (Yamaguchi Prefecture) marked the highest amount of 352 billion yen.

The ratio of the FIP in the "sympathy" budget has been diminishing by the year. On the other hand, the construction of new bases is on the rise, including: (1) construction of dedicated facilities in the Self-Defense Forces (SDF) bases in Yausubetsu (Hokkaido), Ojojihara (Miyagi Prefecture), and Hijudai (Oita Prefecture) for relocating the training exercises of U.S. Marines in Okinawa in the name of "training relocation expenses" - totaling 10.9 billion yen up to FY08; (2) construction of houses for U.S. military officers using the special road tax revenues of the Ministry of Land, Infrastructure, Transport, and Tourism (2.8 billion yen in Sasebo City, Nagasaki Prefecture) and the budget of other ministries; and (3) shouldering the cost for USFJ realignment, including Guam "relocation" and the construction of a new base in Henoko, Okinawa totaling 2-3 trillion yen (according to the U.S. Department of Defense).

Under USFJ realignment plans, a facility for the use of U.S. Forces costing 8.8 billion yen is being built at the SDF's Nyutabaru base (Miyazaki Prefecture) for relocating the training of F-15 fighters from the Kadena Air Base in Okinawa. For the first time, 34.6 billion yen in construction cost has also been allocated for Guam "relocation" in the FY09 budget.

9) PM Aso meets Russian presidential office chief of staff, voices expectations on Northern Territories issue at summit talks

MAINICHI (Page 5) (Full)  
June 23, 2009

Naoyuki Inukai, Joichi Sato

Prime Minister Taro Aso met Sergei Naryshkin, chief of staff of the Russian Presidential Office, at the Prime Minister's Office Residence on June 22. Aso said: "I look forward to the president's briefing on the Russian side's work on the Northern Territories issue" at his meeting with President Dmitry Medvedev during the G-8 Summit in Italy in July, indicating his hope for the president to present proposals for progress in the territorial issue.

Naryshkin said: "We are preparing for Italy. It is important to have discussions in a quiet atmosphere." After the meeting, he told reporters at a hotel in Tokyo that, "I conveyed to the prime minister that 'we should find a compromise that is in the interest of both sides and in accordance with public opinion in a quiet and constructive atmosphere where there is no negative reaction from either side'."

Democratic Party of Japan President Yukio Hatoyama also met with Naryshkin in Tokyo on June 22. He said: "Political credibility in a country is very important for resolving difficult pending issues such as territorial disputes. This is absent in Japan today. The

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most important thing is to restore political credibility," indicating that progress in the territorial issue will be difficult without a change of government.

10) International Whaling Commission meeting opens, to discuss framework for future negotiations

MAINICHI (Page 4) (Full)  
June 23, 2009

Keisuke Ota

The annual meeting of the International Whaling Commission (IWC) opened on the Portuguese island of Madeira on June 22. The meeting will take place for five days until June 26. A decision has already been made on deferring the question of Japan's continuing research whaling and the resumption of small-scale coastal whaling to the 2010 annual meeting, so this year's meeting will concentrate on discussing the framework for future negotiations and how to proceed with the talks.

Japan and other whaling nations have clashed fiercely with the U.S., Australia, and other anti-whaling states at the IWC. A working group formed at last year's annual meeting discussed a compromise plan for Japan to reduce and abolish research whaling in stages in exchange for the resumption of small-scale coastal whaling. However, an agreement was not reached, and it was decided that these issues be deferred to the 2010 annual meeting.

11) Brisk exports of petrochemical, nonferrous products to China: Domestic demand for steel, paper remains sluggish

MAINICHI (Page 3) (Excerpts)  
June 23, 2009

Moves to ease production cutbacks are spreading in the material industry, such as the petrochemical and nonferrous industries, bolstered by progress in inventory adjustments by supply

destinations of automobiles and home electronic appliances and brisk exports to Asia, such as China. However, the recovery of demand in the steel, paper and cement industries, which highly rely on domestic demand, is lagging behind.

Production of petrochemical goods has begun showing a marked recovery trend from around March due to an increase in exports to China. Exports of high-density polyethylene used by supermarkets for carrier-bags, tripled in comparison with the same month in the previous year, boosted by robust individual consumption in China. Sumitomo Chemical's ethylene plant is now in full production.

In the nonferrous industry, exports of zinc to China in April jumped 2.2 times the level of the same month in the preceding year due to great demand for autos. Demand for copper has also recovered owing to an increase in public works in China, following the implementation of stimulus measures taken by its government.

Mitsubishi Materials Corp. plans to raise the operation rate at its plant from the current 90 PERCENT to 100 PERCENT as early as August.

12) Cuts in social security spending shelved: Basic policy guidelines for fiscal 2009 to be adopted at cabinet meeting today

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SANKEI (Page 1) (Excerpts)  
June 23, 2009

The government's basic policy guidelines on economic and fiscal management and structural reforms for fiscal 2009 are expected to be adopted at a cabinet meeting on June 23. Lawmakers connected with welfare and labor affairs, who are against a cut in social security spending, have been opposing the government policy of compiling a fiscal 2010 budget, based on such guidelines for fiscal 2006. The government gave in to them and pledged to exempt social security expenses from its policy of cutting spending. Lawmakers with vested interests in the welfare and labor areas, who killed Prime Minister Aso's proposals for splitting the Ministry of Health, Labor and Welfare (MHLW) and unifying day-care centers and kindergartens, have again won the battle with the government, giving the impression that the administration is weakening.

The Liberal Democratic Party (LDP) on the afternoon of June 22 held a special General Council meeting and adjusted the wording to be included in the basic policy guidelines for fiscal 2009. However, lawmakers, such as former MHLW ministers Hidehisa Otsuji and Yuji Tsushima, who are closely connected with the MHLS, opposed the guidelines. For this reason, the meeting once again put off adopting the guidelines.

Finance Minister Yosano had indicated a flexible stance to the compilation of the fiscal 2010 budget. However, Otsuji did not agree. He called for the omission of the wording "based on the basic policy guidelines for fiscal 2006" with a view to the upcoming Lower House election. The party executives on June 22 gave in to them, adding wording including, "a framework that is different from last year's guidelines, which cut social security expenditures." However, Yosano did not accept the proposal, saying, "The government should categorically mention that social security spending will not be cut."

In the end, Yosano in front of Otsuji and others after the general council meeting stated, "The increased portion of social security expenses should be approved as is." Otsuji accepted his proposal. As a result, the basic policy guidelines are set to be adopted at a cabinet meeting on June 23.

ZUMWALT